

FINANCIAL NEWS AND COMMENT

Have You Considered
Sound Securities as
Christmas Gifts?

There will be no gift more appreciated than high grade safeguarded bonds or stocks.

Our Investment Department has compiled a list of securities meeting all requirements for Christmas Gifts.

Ask for List 194

Far Reaching Benefits Growing Out of Deflation and Thrift Campaign.

PRICE CUTS EVERYWHERE

Salient Points of Situation in Investment Markets in United States.

By WILLIAM JUSTUS BOIES.

The financial markets enter this week the year's most interesting period when the great commercial nations balance their accounts and clear their slate for new deals in trade, finance and industry. This year end adjustment outranks all other settlements of the kind, because 1920 has been a period of unremitting credit strain with extraordinary happenings in international finance. Those Governors who implored the Congress last week to amend the Federal Reserve act, if necessary, to supply temporarily additional currency and provide relief from hardships of reconstruction overlooked the fact that loans and discounts of the banks had increased about \$750,000,000, that the anticipated and expected was to learn that the trials of the readjustment period were nothing more than the world's greatest economists had predicted would develop when the day of reckoning came.

Reconstruction Finance.

The world is seeing the familiar troubles of the morning after the huge expenditures and the unparalleled extravagance of the war period. Although the United States is the only nation which has not yet come to terms, this country is making the best showing and will emerge safe and sound if the reserve system is left intact and the politicians keep their hands off the Reserve Board. Any one familiar with the tremendous strain of the last nine months knows that the action which saved the American people from disaster is the best guarantee by the Reserve Board that the banks should cease all advances for speculative ventures and finance only productive enterprises. Any other course would have been suicidal and would have continued the upward movement of commodity prices, the further expansion of an already overburdened loan account and the evils growing out of an unsound economic policy.

Playing Safe.

As W. P. G. Hardinge, governor of the Federal Reserve Board, pointed out in his caustic reply to criticisms of Senator Owen touching the discount policy of the Reserve Board, the price recession of the last nine months, compared with other producers, compensated for having been due in part to worldwide causes and the collapse of the silk market in Japan, and later developments here and abroad showed plainly that certain price readjustments could not have been avoided. The history of those periods shows that high prices are succeeded by low prices and that the public can depend on an exceptionally high price average for underlying collateral can be safeguarded only by systematic deflation and refusal to make fresh advances to force the public to pay war prices in peace times. The readjustment therefore through which the United States, in common with other countries, is passing, is thus only procedure which will avail to correct evils from which the world is suffering. It is not a question of politics but of hard common sense, because slowly but surely the American people are thinking again in the arithmetic of pre-war days when a man who purchased more than a dozen hats and the average citizen was unaccustomed to think of a suit of clothes as the equivalent of a \$100 investment.

Deflation.

It is encouraging to know that commodity prices in this country have declined 13 to 33 per cent from the peak level, against a fall in Great Britain of from 10 to 14 per cent, and Canada of 11 to 12 per cent. The readjustment has been marked by the most abrupt decline that has taken place in any six months since civil war days, and although there has been a natural increase in commercial failures the deflation for the most part has been orderly, well planned and without causing unusual financial disturbance. The retailer is still the chief obstacle to lower prices, although many large merchants within the last fortnight have organized special sales and price cutting campaigns to clear their shelves of high priced merchandise. The movement has been attended by heavy losses in retail trade, but it is placing all business on a sounder basis and relieving the situation of the weaknesses which must be eliminated before the evils of war time merchandise methods can be eliminated for good and all.

Reducing Indebtedness.

The country banks are reducing their indebtedness to their New York correspondents, and even smaller the Cotton Bell States, in the areas in which business has been less prostrated by the sharp decline in the Southern staple. It is easy to visualize what the condition of those banks would have been had the advocates of forty cent cotton persuaded the Reserve Board last month to grant them additional credits to continue the price level, but they did not do so, because the public opinion is getting back to a safer basis of living and doing business, because the American people, despite their excesses and reputation for going to extremes, are noted for their willingness to face the music and force necessary deflation. The movement is being helped to an extent by the decline in the nation's production of cotton and its exportation to foreign countries, "he said. "In order to provide enough cotton for the people, it is necessary now to produce more than this nation can consume. So it is essential that from now on the public should participate in the financing of our foreign trade with the same degree of earnestness that characterizes it in meeting the needs of our domestic industries."

CONSOLIDATED GAS NOTE OFFER TO-DAY

Issue of \$25,000,000 of Short Term Securities to Pay for Construction.

The National City Company and associates, which purchased from the Consolidated Gas Company \$25,000,000 of its one year 8 per cent gold notes, secured by pledge of \$34,000,000 par value of New York Edison stock, announced yesterday that the notes would be offered to-day at par and accrued interest, yielding 8 per cent. Preliminary inquiry for the notes indicates that the greater portion of the issue will be taken by the banks.

George B. Cortelyou, president of the company, in a letter to the bankers explained that the short term financing was to be followed by permanent financing when the outcome of the pending rate litigation should be determined. It is anticipated that the court will rule very early that the litigation will result in a ratio of net earnings to interest charges which will provide a satisfactory basis for such permanent financing.

Discussing the need for the new financing, Mr. Cortelyou said: "The proceeds of the present note issue, besides providing funds for construction in the immediate future, will be used to liquidate floating indebtedness incurred in connection with the construction of the 30,000,000 cubic feet water gas installation, the preliminary costs of a large new electric generating station and various other extensions to the gas and electric systems necessitated by the greatly increased demands for service on the part of the public."

Other information from Mr. Cortelyou is summarized as follows in his official statement: "The \$25,000,000 one year secured 8 per cent gold notes will be direct obligations of the Consolidated Gas Company of New York, and will be secured by pledge with the trustees of \$34,000,000 par value of the capital stock of the New York Edison Company, the present annual dividends upon which alone exceed the amount required for interest on these notes."

The information states that the public should come forward in support of these projects.

"It has been the willingness of the American investor to purchase the securities of our great domestic industrial organizations that has enabled this country to advance to its present position as a leading industrial nation," he said. "In order to provide enough cotton for the people, it is necessary now to produce more than this nation can consume. So it is essential that from now on the public should participate in the financing of our foreign trade with the same degree of earnestness that characterizes it in meeting the needs of our domestic industries."

STOCK EXCHANGE SALES.

New York Stock Exchange sales ended December 4, 1920.

STOCKS.

Monday 2,007,157 1,088,459 464,112

Tuesday 730,082 3,497,417 470

Wednesday 1,030,941 701,847 417,270

Thursday 974,513 1,037,069 423,030

Friday 1,031,700 2,080,480 105

Saturday 497,153 405,221 180,564

Totals 4,482,806 5,244,291 2,355,146

Year to date 201,138,594

BONDS (VAL. VALUE)

\$ 3

2,000

1,000

500

250

100

50

25

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